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In the Supreme Court of the United States

OCTOBER TERM, 1974

No. 73-2006

COLORADO MAGNETICS, INC., ET AL., PETITIONERS

v.

EDWARD B. MARKS MUSIC CORPORATION

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

The United States submits this brief as *amicus curiae* in response to the Court's invitation of October 15, 1974.

OPINIONS BELOW

The *en banc* opinion of the court of appeals (Pet. Apps. F, H) is reported at 497 F. 2d 285. The memorandum of the district court (Pet. Apps. J, K) is reported at 357 F. Supp. 280.

JURISDICTION

The judgment of the court of appeals (Pet. App. F) was entered on May 28, 1974. The petition for a writ of certiorari was filed on July 10, 1974. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

QUESTION PRESENTED

Whether the duplication of uncopyrighted sound recordings infringes the copyright on the musical composition.

STATUTES INVOLVED

The Copyrights Act, as amended, 17 U.S.C. 1(e) provides:

> Any person entitled thereto, upon complying with the provisions of this title, shall have the exclusive right:
>
> * * * * *
>
> (e) To perform the copyrighted work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes set forth in subsection (a) hereof, to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced: *Provided,* That * * * as a condition of extending the copyright control to * * * mechanical reproductions, that whenever the owner of a musical copyright has used or permitted or knowingly acquiesced in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the musical work, any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured, to be paid by the manufacturer thereof: * * *

17 U.S.C. (Supp. I) 101(e) provides:

> Interchangeable parts for use in mechanical music-producing machines.—Interchangeable

parts, such as discs or tapes for use in mechanical music-producing machines adapted to reproduce copyrighted musical works, shall be considered copies of the copyrighted musical works which they serve to reproduce mechanically for the purposes of this section 101 and sections 106 and 109 of this title, and the unauthorized manufacture, use, or sale of such interchangeable parts shall constitute an infringement of the copyrighted work rendering the infringer liable in accordance with all provisions of this title dealing with infringements of copyright and, in a case of willful infringement for profit, to criminal prosecution pursuant to section 104 of this title. Whenever any person, in the absence of a license agreement, intends to use a copyrighted musical composition upon the parts of instruments serving to reproduce mechanically the musical work, relying upon the compulsory license provision of this title, he shall serve notice of such intention, by registered mail, upon the copyright proprietor at his last address disclosed by the records of the copyright office, sending to the copyright office a duplicate of such notice.

STATEMENT

The facts of this case are not in dispute and are set out in the opinion of the court of appeals (Pet. App. H, pp. xiv–xvi). Respondent is the owner of the copyrights on certain musical compositions. Arrangements of these compositions have been recorded—pursuant to licenses from respondent—and distributed on records or tapes. Because these sound recordings were

fixed prior to February 15, 1972, they are themselves uncopyrighted.[1]

Petitioners manufacture and sell taped duplications of these sound recordings; the duplications are prepared by directly re-recording the commercially available recordings. Petitioners do not create or record original performances of copyrighted music.

The taped duplicates produced and sold by petitioners concededly infringe respondent's "exclusive right" to use its copyrighted music, 17 U.S.C. 1, unless the use were authorized by the "compulsory license" provision of 17 U.S.C. 1(e), which provides that once the owner of a composition copyright has licensed

> the use of the copyrighted work *upon the parts of instruments* serving to reproduce mechanically the musical work, any other person may make *similar use of the copyrighted work* [emphasis added]

upon the payment to the copyright owner of 2 cents for each reproduction. Petitioners, asserting that they are entitled to such a compulsory license, tendered to respondent the sums petitioners asserted were due as royalties. The tender was rejected and respondent then sought an injunction against petitioners' activities, on the ground that the duplication of the sound recordings infringes the composition copyright and is not a "similar use of the copyrighted work."

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[1] The Sound Recording Act of 1971, 85 Stat. 391, effective February 15, 1972, grants to the producer of a sound recording a copyright in the recording itself.

Although the Act does not define the term, a recording apparently is "fixed" when music is rendered into a form capable of mechanical reproduction.

The district court held that petitioners' duplication of the sound recordings did not infringe the composition copyright because there had been compliance with the compulsory license provisions. The court of appeals reversed, holding that a compulsory license entitled a third party to make a "use" of the copyrighted composition "similar"' to the use made by the original recording company. The third party may "use"

> not a * * * record, but the copyrighted composition, which has been characterized as the "raw material," in a manner "similar" to that employed by the recording company * * *. All of which means, to us, that [petitioners] may make [their] own arrangements, hire [their] own musicians and artists, and then record. It does not mean that [petitioners] may use the composer's copyrighted work by duplicating and copying the record of a licensed recording company. Such, in our view, is not a *similar* use. [Pet. App. H, p. xix.]

On rehearing *en banc* the panel's opinion was adopted by the full court, two judges dissenting (Pet. App. F).

DISCUSSION

1. This case turns on the extent to which a statute intended to redress an incipient monopoly in the piano roll industry also governs the more modern problem of tape duplications of sound recordings—a phenomenon unknown when Section 1(e) was enacted in 1909 (35 Stat. 1075).

Recordings produced and released prior to February 15, 1972, are protected by criminal anti-piracy

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statutes, or by unfair competition laws or court decisions, in more than half of the states. See *Goldstein* v. *California,* 412 U.S. 546. Recordings fixed on or after February 15, 1972, are protected from "piracy" by the Sound Recording Act of 1971, 85 Stat. 391, which grants to the recording's producer a copyright in the recording itself. The decision of the court of appeals in this case will prevent unauthorized duplication of sound recordings fixed and published prior to February 15, 1972, in states without anti-piracy laws.[2]

When the Sound Recording Act was before Congress, the Department of Justice took the position that unauthorized duplications of recordings were not then prohibited by the copyright laws; the Department was of the opinion that the compulsory license provision of Section 1(e) permitted unauthorized duplications upon payment of the statutory royalty. Upon further

[2] Although this case involves only the civil liability of one who makes unauthorized duplications of mechanical reproductions or copyrighted music, it will affect the ability of the government to prosecute violators of the criminal provisions of the copyright law. 17 U.S.C. 104 provides for criminal prosecutions of certain copyright infringements, including unauthorized duplications of sound recordings. Enforcement of anti-piracy laws involves substantial law enforcement efforts. We have been informed by the Federal Bureau of Investigation that between February 1, 1972 and October 31, 1974 it conducted 6,797 investigations of "tape piracy"; of these investigations a large number have led to voluntary cooperation, 175 have ended in criminal convictions, and 2,260 investigations still are open. The interpretation given to Section 1(e) by this and similar cases will determine whether federal prosecution efforts will extend to unauthorized duplications of recordings fixed prior to February 15, 1972.

consideration of the question, and for the reasons given below, the Department now believes that the compulsory license provision does not sanction "tape piracy" and that the instant case and *Duchess Music Corp.* v. *Stern*, 458 F. 2d 1305 (C.A. 9), certiorari denied *sub nom. Rosner* v. *Duchess Music Corp.*, 409 U.S. 847, are correctly decided.

a. Although there is little legislative history concerning the meaning of the compulsory license provision, the considerations that led to its adoption are relatively clear. When an effort to enact a general revision of the Copyright Act began in 1905, the question whether mechanical reproductions of copyrighted compositions infringed the composition copyright was unsettled. During the gestation of the revision debates, this Court held in *White-Smith Music Publishing Co.* v. *Apollo Co.*, 209 U.S. 1, that mechanical reproductions (piano rolls) did not infringe the composition copyright.

While the *White-Smith* litigation was pending, copyright revision bills were introduced giving exclusive rights over reproductions to the holders of the composition copyright;[3] if these bills had been enacted the owners of the composition copyright would have been able to license one firm to reproduce a song, and exclude other reproductions. It also would have been possible for all composition copyright owners, or at least the major music publishing houses, to license their compositions to a single firm for the purpose of mechanical reproduction.

[3] See, *e.g.*, S. 6330 and H.R. 19853, 59th Cong., 1st Sess., Section 1(g).

Charges and counter charges were addressed to this provision. Mechanical reproduction firms contended that the leading music publishers would conspire to establish a "music trust" by licensing only a single piano roll company.[4] The publishers and composers claimed in return that the mechanical devices used to reproduce music already were monopolized and that the proposed bills would strengthen the hand of the monopolists.[5] One solution to any impending reproduction monopoly is a "compulsory license," and during the hearings several Congressmen and witnesses proposed this arrangement as a compromise that would protect both the publishers and composers, on the one hand, and the small musical reproduction firms, on the other.

After the revision bills had been considered by the committee without such a provision,[6] however, Con-

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[4] Arguments before the Committees on Patents of the Senate and House of Representatives conjointly on the bills S. 6330 and H.R. 19853, 59th Cong., 1st Sess. 96–146 (June 1906).

[5] Hearings before the Committees on Patents of the Senate and House of Representatives on pending bills to amend and consolidate the Acts respecting copyright, 60th Cong., 1st Sess. 194–252.

[6] Protection against the "piracy" by one mechanical reproduction company of the works of another was considered in committee and rejected for two reasons: (1) devices for reproducing copyrighted compositions were relatively new, and there was no consensus among the Congressmen that sound recordings were the "writings of authors" within the Copyright Clause of the Constitution, Art. I, Sec. 8, cl. 8; and (2) using devices then available, recording duplication was uneconomical and hence not likely to occur. Arguments before the Committees on Patents of the Senate and House of Representatives conjointly on the bills S. 6330 and H.R. 19853, 59th

gress received reports that a single piano roll company was on the verge of securing exclusive contracts from all major music publishers. These contracts, which were to become effective when the revision bill was passed, would have created the feared monopoly and excluded all other piano roll companies from the market. Because of this information, compulsory license provisions were introduced as amendments and enacted.[7] See House Committee Print, Report of the Register of Copyrights on the general revision of the United States Copyright Law, 87th Cong., 1st Sess. 32–33 (1961). The compulsory license provision, then, was originally intended as an antidote to an incipient monopoly, as a means of fostering diversity of both music and music reproduction firms. H. Rep. No. 2222, 60th Cong., 2d Sess. 1–9. Cf. *Goldstein* v. *California, supra,* 412 U.S. at 562–565.

b. However, the program Congress enacted disposes of the present controversy as well. The owner of a composition copyright is given exclusive control over all mechanical reproductions of that composition or an arrangement of it. 17 U.S.C. 1(e). This exclusive control is subject only to the compulsory license provision, which does not become applicable until the copyright owner has first granted a license for a mechanical reproduction of the composition.[8] Only

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Cong., 1st Sess. 32 (June 1906); Arguments before the Committees on Patents of the Senate and House of Representatives conjointly on the bills S. 6330 and H.R. 19853, 59th Cong., 1st Sess. 201–227 (December 1906) (statement of Nathan Burkan).

[7] H. Rep. No. 2222, 60th Cong., 2d Sess. 7.

[8] This mechanical reproduction itself was not protected by copyright until the Sound Recording Act of 1971.

then may additional reproductions be made, and these reproductions must be a "similar use" to the use made in the first reproduction.

Several considerations support this restrictive reading of the provision. First, because until the Sound Recording Act of 1971 the mechanical reproductions were themselves uncopyrighted, it would be surplusage for the statute to grant a compulsory license to "use" the reproduction itself. The license intended therefore must have been a license to "use" the copyrighted composition itself. It is this use, beginning with the composition, that must be "similar" to the use made by the original licensee.

Second, because at the time the statute was passed direct copies of an existing mechanical reproduction could not be made economically,[9] Congress must have contemplated that a "compulsory licensee" would be-

The controlling words in the compulsory license provision are "similar" and "use." What is it that is available for "use": the copyrighted composition alone, or the mechanical reproduction manufactured under license from the copyright owner? Is it a "similar" use if the third party duplicates the original licensee's recordings, or must the third party "similarly" perform *all* of the acts of the original licensee, including hiring musicians and transcribing their work? We submit that on a fair reading of the compulsory license provision only the original composition is available for "use," and that to be "similar" a "use" must be made in the same fashion as the original licensee.

[9] See note 6, *supra*.

gin from scratch and record a new arrangement with its own artists. This understanding would have been consistent with the desire of Congress, expressed elsewhere in the debates of the 1909 revisions, to foster musical diversity from a variety of arrangements of a single composition. See *Shaab* v. *Kleindienst*, 345 F. Supp. 589, 590 (D. D.C.). The desire for musical diversity would be frustrated, rather than advanced, if the compulsory license provision were held to authorize a mere duplication that makes no artistic contribution. Cf. Kaplan, *An Unhurried View of Copyright* 38–66 (1966); Kaplan, *Performer's Right and Copyright: The Capitol Records Case*, 69 Harv. L. Rev. 409 (1956). A "tape pirate" need only purchase a single legitimate sound recording and reproduce it; the "pirate" bears none of the costs of arranging and recording the music, and consequently can sell its product at prices below those charged by legitimate recording companies. Moreover, because the "pirate" copies only successful recordings, it bears none of the risk of failure to which legitimate licensees expose themselves in acquiring recording rights and producing and marketing music of as yet undetermined popular appeal.

If the recording companies' most successful products are copied and sold at prices they cannot match, the expected return from producing new songs will decrease; because the production of new material will be less attractive, companies will be less likely to provide recordings of new songs. This will reduce musical diversity, as well as harming the owners of the composition copyright, such as respondent.

Moreover, owners of the composition copyright derive returns not only from the original recording, but also from recordings of new arrangements of their material by new artists after the first recording has become popular. Such new arrangements will be deterred if recording artists and companies fear that any new recording will be undersold either by an unauthorized duplication of the new recording or by an unauthorized duplication of the original recording. If such new variations are deterred, musical diversity will again be diminished, a result contrary to both the purposes of the copyright laws and the pecuniary interests of the composition copyright owners.

Third, the statute itself contains clues about that to which the "use" must be "similar." Once the composition copyright owner has licensed the "use of the copyrighted work upon the parts of instruments," any other person may make "similar use." The use, to be "similar," must be "similar" to a "use" "upon the parts of instruments"—that is, the new use must entail a recording, not a mere duplication of the original reproduction. This interpretation is reinforced by the wording of 17 U.S.C. 101(e), which, even before its amendment by the Sound Recording Act, provided that notice must be given to the copyright holder of intent to take a compulsory license to "use a copyrighted musical composition upon the parts of instruments * * *."

Finally, the statute provides only for a compulsory license to "make" a "similar use" of the composition copyright. This suggests an emphasis on a similar process beginning with a use of the composition, rather

than, as petitioners argue, on a similar end product.[10]

c. The courts that have considered the problem have consistently adopted this interpretation.[11] Three years after the enactment of Section 1(e), *Aeolian Co.* v. *Royal Music Roll Co.*, 196 Fed. 926 (W.D. N.Y.), held that a piano roll company could not make a "similar use" of a copyrighted composition by duplicating the piano roll of another firm. The court ruled that a use could be "similar" within Section 1(e) only if the user, like the licensed first manufacturer, had used the composition to make an original and different piano roll. Accord, *Standard Music Roll Co.* v. *F.A. Mills, Inc.*, 241 Fed. 360 (C.A. 3).

There was no further litigation concerning Section 1(e) until the Ninth Circuit, in *Duchess Music Corp.* v. *Stern, supra,* adopted the reasoning of *Aeolian* and held that duplicates of mechanical reproductions infringed the composition copyright. A recent district court decision is to the same effect. *Fame Publishing Co.* v. *S & S Distributors, Inc.*, 363 F. Supp. 984 (N.D. Ala.).[12]

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[10] The commentators—with the sole exception of Professor Nimmer—agree with the position advanced in this brief. See Br. in Opp. 10, n. 8.

[11] Only one case, *Jondora Music Publishing Co.* v. *Melody Recordings, Inc.*, 351 F. Supp. 572, 362 F. Supp. 488 (D. N.J.), has adopted the position urged by petitioners, and that court supported its decision not by a construction of Section 1(e) but by a misreading of *Goldstein* v. *California, supra*. *Jondora* was considered and rejected by the Tenth Circuit in the instant case, and is now on appeal to the Third Circuit, No. 74-1241 (argued October 25, 1974).

[12] This case has been appealed to the Fifth Circuit, No. 74-1200, and was argued on October 16, 1974.

d. Nothing in the legislative history of the Sound Recording Act of 1971 indicates that Congress desired to withdraw from the holders of composition copyrights any rights they might have under the 1909 statute. The 1971 amendments dealt primarily with the rights of producers of mechanical reproductions. For the first time a copyright was created to cover the recorded material itself, and after February 15, 1972, the producers of such recordings were therefore able to prevent duplications of their materials. But it is inaccurate to argue that, by creating this new remedy, Congress withdrew any right it may have given in 1909 to the holders of the composition copyright.

Congress enacted the Sound Recording Act in order to prevent "tape piracy"; it would be anomalous to read the legislation to repeal by implication the right of the composition copyright holder to do just that. There is nothing logically inconsistent in extending to both the composition copyright holder (in Section 1(e)) and the producer of the recording (in the Sound Recording Act) the right to prevent duplications—each has an independent interest in its material that is capable of protection.

It is apparently true that many members of Congress assumed during the debates on the Sound Recording Act that, without amendments, the Copyright Act did not prevent unauthorized duplications of sound recordings. See, *e.g.*, H. Rep. No. 92–487, 92d Cong., 1st Sess. 2, 5. This misconception was shared by the Department of Justice.[13] See, *e.g.*, Hearings before

[13] The misconception apparently was not shared by the composition copyright owners, for the *Duchess* suit had been in-

Subcommittee No. 3 of the House Committee on the Judiciary on S. 646 and H.R. 6927. 92d Cong., 1st Sess. 121–122. But it is the words and the legislative history of the 1909 Act, and not the misconceptions at a later date, that control the meaning of Section 1(e). As this Court stated in *United States* v. *Southwestern Cable Co.*, 392 U.S. 157, 170: "[T]he views of one Congress as to the construction of a statute adopted many years before by another Congress have 'very little, if any significance'" (citation omitted).

Even though the 92d Congress believed that a "loophole" in the Copyright Act allowed unauthorized duplication, the legislature did not amend or affect the compulsory license provision of Section 1(e). Instead, it created an entirely new area of copyright protection, leaving unchanged whatever had existed before.

e. The construction given to Section 1(e) by the court below is not in conflict with *Goldstein* v. *California, supra*. *Goldstein* held that states could forbid the duplication of sound recordings; the premise of *Goldstein* was that the federal copyright laws had not so occupied the field of regulation of sound recordings that states were precluded from enacting anti-piracy statutes. But *Goldstein* did not hold either expressly or by implication that federal law afforded no protection to musical compositions, an issue with which *Goldstein* was not concerned.

Petitioners' argument (Pet. 11) that *Goldstein* has decided the instant case rests upon a confusion be-

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itiated prior to the enactment of the Sound Recording Act, and the court rendered its decision less than a month after the effective date of the amendments.

tween the protection of sound recordings and the protection of musical compositions. There never has been any question whether Congress "occupied" the field of protection of musical compositions by granting an "exclusive" right to license mechanical reproductions, subject only to the compulsory license provision.[11] Petitioners' argument that *Goldstein* holds that Congress has left untouched the regulation of all recordings prior to February 15, 1972, is inconsistent with their argument that federal law—Section 1(e)—controls this case, and that it remains only to construe Section 1(e) in their favor.

2. We submit that certiorari should be denied. There is no conflict among the circuits, and, although "piracy" is an important law enforcement problem, the importance of the issues posed in the petition will steadily diminish. The construction of Section 1(e) is now important only with respect to recordings issued before February 15, 1972. The music on these discs and tapes gradually will become less popular, and therefore less attractive to "pirates."

The court below decided the issue correctly and, in the absence of a conflict among the circuits, it is unnecessary for this Court to hear the case.

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[11] Of course, Congress has not "occupied" the field of regulation of music in the public domain. Consequently records manufactured prior to February 15, 1972, for which no copyrights are outstanding on the musical compositions, may be duplicated freely, subject only to state laws.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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